

FISCAL NOTE

Bill #: HB0278

Title: Tax credit for prescription drug purchases

Primary Sponsor: Eaton, E

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$27,895	\$22,063
State Special Revenue		
Federal Special Revenue		
Other		
Revenue:		
General Fund	(\$5,800,000)	(\$8,700,000)
State Special Revenue		
Federal Special Revenue		
Other		
Net Impact on General Fund Balance:	(\$5,827,895)	(\$8,722,063)

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

- Under this bill, qualifying taxpayers age 65 and older may receive a *refundable* credit for the actual out-of-pocket expenses incurred for insulin or prescription drugs or medicine equal to 50% of the amount paid, up to a maximum credit of \$300. The credit applies beginning with tax year 2005, and the full impact of the first year's credit will occur in FY 2006.
- For single and head of household taxpayers, the full credit is allowed only for households with incomes up to \$22,500; and is then reduced by \$1 for every \$5 of income over \$22,500 so that no credit is allowed for households with incomes in excess of \$24,000. For married couples the full credit is allowed only for households with incomes up to \$36,000; and is then reduced by \$1 for every \$5 of income over \$36,000 so that no credit is allowed for married couple households with incomes in excess of \$37,500. Married couple households in which both spouses are age 65 or older are entitled to two tax credits totaling \$600 regardless of whether the couple files separate tax returns or a joint return.

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(continued)

3. Based on tax year 2003 individual income tax database information, there are 58,000 persons age 65 or older with incomes that qualify them for the credit. All of these elderly persons have annual out-of-pocket insulin, prescription drug or medicine expenses in excess of \$600 qualifying them for the full \$300 maximum refundable credit. Utilization rates for this credit will be high with one-third of all eligible persons using the credit in the first year of the program, half of all eligible persons using the credit in the second year of the program, and two-thirds of all eligible persons using the credit in the third and subsequent years of the program. All persons using the credit will take the maximum credit of \$300.
4. The above assumptions result in tax credits of \$5,800,000 for tax year 2005 (FY 2006); \$8,700,000 for tax year 2006 (FY 2007); and \$11,600,000 for tax year 2007 (FY 2008).
5. Beginning in FY 2006, the Department of Revenue would need an additional 0.5 auditor FTE to audit the filings associated with this credit. Administrative expenses would increase a total of \$27,895 in FY 2006 and \$22,063 in FY 2007.

FISCAL IMPACT:

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
FTE	0.5	0.5
<u>Expenditures:</u>		
Personal Services	\$18,198	\$18,149
Operating Expenses	3,897	3,914
Equipment	<u>5,800</u>	<u>0</u>
TOTAL	\$27,895	\$22,063
<u>Funding of Expenditures:</u>		
General Fund (01)	\$27,895	\$22,063
<u>Revenues:</u>		
General Fund (01)	\$(5,800,000)	\$(8,700,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$(5,827,895)	\$(8,722,063)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

LONG-RANGE IMPACTS:

Revenues will be reduced an estimated \$11,600,000 per year in FY 2008 and after as a result of the credit provided for in this bill.